

Annual Business Plan 2015-16
Update 3 (December 2015)

This is the third Business Plan Update of 2015-16.

The Annual Business Plan and Medium Term Strategy 2015-16 was approved at the March meeting of the Pension Fund Board, the purpose of this update is to show the progress made during this third quarter linking directly to Cambridgeshire Pension Fund objectives.

To demonstrate the progress made there are four sections that provide the relevant evidence as follows -

- Key Fund challenges
- Contribution reporting
- Administration and investment expenses
- Key Performance Indicators

This update shows how the Fund has performed in terms of actions required and whether KPI targets have been met. The purpose is to highlight outstanding actions in order to reach key milestones and address any areas of poor performance in order to improve and meet targets.

The regular update aims to show the quarterly performance with an overview of the year after the fourth quarter. The update ensures the Fund is keeping on track to ensure the desired outcomes.

Mark Whitby
Deputy Head of LGSS Pensions Service

Section 1 - Key Fund activities

The Annual Business Plan 2015-16 laid out the key activities facing the administration and governance of the Local Government Pension Scheme. The plan related to the Fund's objectives as well as changes in regulations, in order to ensure that actions taken are clearly defined and for a specific purpose.

A number of these activities link directly to the Fund's policies, strategies and contractual services in order to ensure functions are being carried out effectively.

The below table shows the key Fund activities as agreed and provides an update on how the Fund has been working towards these actions. Collaboration between sections of the Service has ensured good progress against each activity.

Regulatory activities	Progress	Timescale for completion
<p>Implementing the 2015 governance changes.</p> <ul style="list-style-type: none">• Embed the Pensions Regulator Code of Practice – Governance and administration of public service pension schemes.• Assist LGSS Democratic Services with the creation and ongoing operation of the Public Service Pensions Act 2013 requirement for each public service pension scheme to have a local pension board.	<ul style="list-style-type: none">• The Pension Regulator's Code of Practice continues to be embedded throughout the year within existing processes to strengthen controls in such areas of contribution monitoring, skills and knowledge and the establishment of processes through which to report breaches of the law. LGSS Pensions are working with the Fund's Benefit Consultants, Hymans Robertson, to produce a robust Knowledge Management Policy for the Committee to approve later in the financial year. Ongoing – Amber• The second Local Pension Board meeting took place on 21 October 2015, As part of the meeting the reports presented at the Annual Meeting in July were discussed. Completed – Green	<p>Ongoing process throughout 2015-16 into 2016-17.</p>

Strategic/Objective based activities	Progress	Timescale for completion
Improving employer performance and engagement. <ul style="list-style-type: none"> Undertake full review of Administration Strategy including approach to dealing with poor performing employers. Introduce improved system for escalation of endemic employer issues from casework officers to Employers Team. 	<ul style="list-style-type: none"> The employers' issue log has been circulated to Casework Teams for use which ensures there is a clear escalation process in place for the casework teams in order that relevant employers are managed appropriately. Ongoing – Amber 	<p>Ongoing.</p>
Customer satisfaction. <ul style="list-style-type: none"> Organisational Workforce Development to facilitate Customer Service Excellence Standard training with a view to achieving this Standard. Embed customer service culture. Carry out customer satisfaction surveys. Continue to build on staff capabilities with a number of learning and development activities. 	<ul style="list-style-type: none"> The Project Team met in November to complete the customer journey map for the contribution monitoring process. Thereafter, all teams will provide evidence for their agreed Customer Service Excellence criteria. Pre-assessment for the standard to be arranged for the end of the financial year. Ongoing – Amber During October all members going through key processes (excluding death or divorce) have received a customer satisfaction survey asking for their views and the overall experience provided by the Service. The next stage will be to analyse the results and look for any improvements that can be made to the Service. Ongoing – Amber Staff will continue to be offered the opportunity for formal and informal training opportunities. Including the opportunity to multi task within the Casework Teams. Ongoing – Amber 	<p>Ongoing process throughout 2015-16 into 2016-17.</p>

<p>Source efficiencies to reduce the cost of administering the Fund.</p> <ul style="list-style-type: none"> • Improve efficiency of business processes, particularly those in connection with non Altair based activity. • Improve employer performance. • Move to electronic annual benefit statements. • Promote greater use of employer and member self- service facility. 	<ul style="list-style-type: none"> • Work is continuing to update the initial information given to new employers at the start of the on boarding process. The aim is to provide prospective employers with a comprehensive induction pack as well as an induction training programme once officially in the LGPS. Ongoing – Amber <p>The format of the Employer Forums held in November 2015 was updated in light of the Employer Survey results (Appendix 2) to include workshops on specific subjects. The topics included the year end submission process, pensionable pay calculations, pension implications on outsourcing and employer discretions. Positive feedback was received from those attending and as such these areas will be incorporated into the 2016-17 training plan as well as forums in the future. Ongoing – Amber</p> <p>The Service continues to liaise with the large payroll providers to further improve the timeliness and quality of data provided. Ongoing – Amber</p> <ul style="list-style-type: none"> • Electronic benefit statements will be issued from August 2016. LGSS Pensions became part of a joint communications group in June 2014 and consists of 8 Funds. A joint approach was taken to the design of the statements leading to efficiencies for this year. This approach will continue when moving to electronic statements. The overall aim of the group is to share best practices and work jointly where possible to produce collective communications going forward. The group also discuss wider communication matters arising from the LGA Communications Working Group. 	<p>Throughout 2015-16</p>
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	<ul style="list-style-type: none"> Of the active 39,321 Members across both Funds, 6,547 (16.65%) have registered to use Member Self Service and have logged on for the first time to access their individual pension record. This registration figure is very slightly higher than the 16.11% last reported. <p>A substantial amount of new starter letters are due to go out in the upcoming weeks and an increase in the uptake from active members to MSS is expected.</p> <p>Of the 38,972 deferred members across both Funds, 1,146 (2.94%) have registered for the service. Again this is slightly higher than the 2.6% last reported.</p> <ul style="list-style-type: none"> The Employer Self Service uptake is currently at 143 employers across both Funds, this has continued to be promoted through employer engagement. Ongoing – Amber 	
<p>Managing the risks associated with the increasing volume and diversity of scheme employers as a result of the move to alternative service delivery models.</p> <ul style="list-style-type: none"> Monitor and manage resource pressures as a result of increasing numbers of scheme employers. Identify split between statutory and potentially chargeable non-statutory activity. 	<ul style="list-style-type: none"> There continues to be a review of the impact resulting from an increasing number of Scheme Employers on the advisory functions provided by the Service in areas such as accountancy and employer support. The review will continue to be carried out during the rest of the financial year. Ongoing – Amber The Employers Team has been operating on reduced capacity for some months following the promotion of team members. An Employer Liaison Officer has now been recruited on an acting up basis and following a successful interview an employment offer has been made to the successful candidate to fill the Pensions Officer position. The Team has also employed a temporary member of staff on a short term basis to help assist 	Throughout 2015-16

<ul style="list-style-type: none"> Investigate and progress as appropriate employer covenant monitoring, liability monitoring and employer risk register projects. 	<p>with this transition period, this has impacted on resources in the already pressured area of managing Scheme Employers, with the steps taken above pressures should start to be addressed and managed accordingly. Ongoing – Amber</p> <ul style="list-style-type: none"> During this quarter work has commenced to review the bond and guarantor arrangements in place with a number of admission bodies and the scheme employers behind them to ensure that the appropriate level of protection is in place for either the scheme employer or for the Fund as a whole. <p>This review ensures that the level of coverage provided, to the scheme employer, by way of a bond is still appropriate to protect against any deficit payments that cannot be collected from the admission body on exit from the Fund. This review takes into consideration any changes in both the current market conditions and the risk exposure of redundancy related strain costs. Ongoing – Amber</p>	
<p>Improve data quality.</p> <ul style="list-style-type: none"> The Guaranteed Minimum Pension (GMP) reconciliation project will ensure that the correct amount of GMP is held on both Altair and on the individual pensioner payroll records. Reconciliation of the pensioner payroll against Altair pensioner records will be run in tandem with the GMP reconciliation project. 	<ul style="list-style-type: none"> The reconciliation of the pensioner payroll against Altair records is progressing well. The last Business Plan Update reported that at the start of the project there were 28,823 lines of data to be reconciled. A tolerance level of up to a maximum of £100 difference in the total annual pension between the two systems was set. 24,576 lines of data either completely matched or came within the tolerance. This left 4,511 lines of data to be reconciled by 31 March 2016. To date 427 cases have been reconciled reducing the total outstanding to 4,084 (across both Funds). To date only a small number of overpayments have been identified. The Pensions Committee will be updated on the overpayments and the progress made on recovery via the Overpayments Report. 	<p>Throughout 2015-16</p>

	<p>The next stage of the project will look specifically at the differences in the Guaranteed Minimum Pension amounts held on each system and with that held by HMRC for all pensioner members. At this stage there are approximately 9,500 lines of data to be reconciled but this will be reduced through work under taken in the first stage of the project. Ongoing – Amber</p>	
Renewal/review of contracts	Progress	Timescale for completion
<p>Procurement of actuarial, governance and benefits consultancy service.</p> <ul style="list-style-type: none"> LGSS Pensions participation in the refreshing of the National LGPS Framework for Actuarial and Benefits Consultancy contracts to commence from May 2015. 	<ul style="list-style-type: none"> Work to refresh the National LGPS Framework for Actuarial and Benefits Consultancy has been delayed. Further updates will be provided once the project commences. Ongoing – Amber. 	<p>Process to complete by June 2017.</p>
<p>Review Additional Voluntary Contribution providers.</p> <ul style="list-style-type: none"> Gather investment and membership data and analyse performance and popularity of the current providers. Seek information on other suppliers Additional Voluntary Contribution facilities for LGPS members. 	<p>The LGSS Pensions Service Investment Team is looking at the range of investment offerings provided by Prudential on their AVC platform to ensure that we have an appropriate range of available to members. A report on the proposed set of investment options will be provided to the Pension Committee at a later date. Ongoing – Amber.</p>	<p>March 2016 Committee meeting.</p>

Section 2 - Contribution Reporting

The following table shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions either on time or late (after the 19th of the month following deduction) for the period 1 October 2014 to 30 September 2015.

	Oct -14	Nov -14	Dec -14	Jan -15	Feb - 15	Mar -15	Apr - 15	May -15	Jun -15	Jul -15	Aug - 15	Sep - 15
% of Employers Paid on Time	96.9	99.4	99.0	95.7	97.6	91	96.1	94.7	95.1	97.9	97.3	97.7
% of Employers Paid Late	3.1	0.6	1.0	4.3	2.4	9	3.9	5.3	4.9	2.1	2.7	2.3

The average percentage of employers who did not pay their contributions by the 19th day of the month following deduction for this quarter was 2.4% per month.

In the quarter, July had 9 late payments totalling £172,772.24. August had 12 late payments of £165,156.95 and in September there were 10 late payments of £22,544.28. The total value of late payments for this quarter amounted to £360,473.47.

The values in July and August were high due to late payments from one individual Scheme Employer who has a large payroll. The value in July for this Employer was £164,598.98 and was 25 days late and £157,542.76 in August where the payment was one day late.

There were 8 employers who were reported as paying late more than once in this or the previous quarter combined. For this quarter the value amounted to £345,641.46.

A breakdown of this is below –

Employer	Month	Days Late	Amount	Last Quarter	Comments/Action
A	July	17	£226.26	April on time	The Employer had previously overpaid and had exhausted the surplus leading to a late payment in July. The Employer was informed of the statutory obligations and the Funding Team are working with them to resolve this issue. This is the first issue with this employer since they joined in 2010.
	August	22	£226.26	May on time	
	September	Outstanding	£226.26	June on time	

B	July August	25 1	£164,598.98 £157,542.76	April on time May on time June on time	As detailed above, the payment for July was late due to an Employer administrative error and this was quickly resolved. These are the first occasions that this Employer has paid over contributions late.
C	September	12	£1,359.36	April late May late June on time	This Employer has been contacted in regards of late payments and escalated to the Employers Team.
D	July August September	55 42 12	£2,499.72 £2,499.72 £2,498.57	April late May late June late	Double payment made in November. Subsequent double payment due to be made in December., Once paid this Employer will be up to date.
E	July August September	4 7 1	£3,510.68 £2,948.48 £2,870.07	April on time May late June late	Delay with receipt of cheque payments. The employer has been advised that they must meet the statutory deadline.
F	August September	42 12	£475.17 £475.17	N/A	New employer to the Fund who didn't fully understand the statutory requirement to make payment by the statutory deadline. Employer is now fully aware of their responsibilities.
G	August September	11 1	£258.34 £205.34	April late May late June on time	Delay with receipt of cheque payments as they are signed at the next available meeting of that Parish Council which may not coincide with the statutory deadline. The employer has been advised that they must meet the statutory deadline.
H	July August September	73 42 12	£1,141.01 £1,023.18 £1,056.13	April late May late June late	Employer has now paid employee contributions to the Fund. A meeting was

					held between the Service, the Scheme Employer and the Ceding Employer and a resolution has been agreed that the Ceding Employer will pay immediately outstanding Employer contributions owed to the Fund. Going forward the Scheme Employer is aware of their responsibilities and has been advised of the potential ramifications if this is not achieved.
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In addition, as part of the monitoring of late payments, LGSS Pensions Service now record when employers do not submit their monthly returns (the form which details the breakdown of the payment being made) on time. The payment and return need to be reconciled, in some cases a late payment cannot be identified until both the payment and the return have been received.

The following table shows the percentage of employers in the Cambridgeshire Pension Fund who submitted their payment schedules either on time or late for the period 1 April 2015 to 30 September 2015.

	Apr -15	May - 15	Jun -15	Jul -15	Aug -15	Sep -15
% of Employers submitted on time	93.2	94.1	95.2	97	94.5	93.5
% of Employers submitted late	6.8	5.9	4.8	3	5.5	6.5

All employers who submit their monthly return or payment late are informed that this not acceptable and they could incur a penalty if not rectified going forward. In light of these ongoing issues around this area a communication will be sent to all employers addressing importance of making payments and submitting returns on time and subsequent penalties for failing to do so.

In line with the Pension Regulator's Code of Practice, LGSS Pensions Service will be working with the employers who are paying over contributions later than the statutory deadline and submitting late returns to ensure compliance each month going forward. Employers that persistently pay over late or submit late returns may be reported to the Pensions Regulator if the breach is deemed as material.

Section 3 - Administration and Investment Expenses

Below is how the Fund has performed against the financial forecast detailed in the Annual Business Plan for 2015-16.

The Fund is on target at this stage for meeting the year forecast.

CPF Administration, Governance and Investment Expenses				
31 October 2015	2015-16 Original Estimate £'000	2015-16 Full Year Forecast £'000	2015-16 Variance £'000	Comments
LGSS Pension Service	1,491	1,425	-55	Vacancy factor on staffing
County Council Related Overheads	702	702	-	
Administration Expenses	2,193	2,127	-55	
Direct Fund – Governance Related	415	415	-	
Direct Fund – Governance Related	415	415	-	
Direct Fund – Investment Related	250	250	-	
Direct Fund – Investment Related	250	250	-	
Total Administration, Governance and Investment expenses	2,858	2,792	-55	

Section 4 - Key Performance Indicators – 1 August 2015 to 31 October 2015

Below are the results of how the Fund has performed against the Key Performance Indicators set out in the 2015-16 Annual Business Plan in period three.

The following Key Performance Indicators are based on the performance of LGSS Pensions Service.

Function/Task – Service Key Performance Indicators	Indicator	Target	Within Target (last quarter performance)	Update/Additional Information
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	94% (99%)	Target achieved and exceeded.
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	99% (96%)	Target achieved and exceeded.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	99% (100%)	Target achieved and exceeded.
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	77% (87%)	Target missed due to an increased volume of estimate requests. Estimate requests are 80% higher than this time last year. Additional

				promotion of Member Self-Service is taking place to encourage members to access estimates via this Service.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	69% (95%)	Target missed due to the additional training and support required for new staff deployed to this area to ensure the Service has multi-skilled officers for the long term.
Notify the employer and scheme members of changes to the scheme rules.	Within one month of the LGSS Pensions Service being informed of the change.	95%	N/A (100%)	No communications have been sent in this quarter.
Issue annual benefit statements to active members as at 31 March each year.	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	The 2.17% of statements that were not issued by 31 August 2015 were issued by 30 November 2015 which has been brought forward from 31 December following guidance from the Pensions Regulator.

The following Key Performance Indicators are based on the performance of the employers within the Fund

Function /Task – Employer Key Performance Indicators	Indicator	Target	Within Target	Update/Additional Information
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	Contributions to be received by individual employers by 19 th calendar day of month after deduction and statement/schedule was received by the same date as payment.	100%	96.3% (95%)	Work is continuing with employers to ensure timely submission of both payments and schedules for each calendar month. More robust processes are being developed to target the 3.7% of employers that have submitted a late payment or return for this quarter. This has improved by 1.3% since the last quarter.
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	Accurate year end information to be provided for all scheme members by 30 April following contribution year end.	100%	N/A	Currently year end information has not been received for 5 active members of the Cambridgeshire Pension Fund (membership of 2 small employers) and a statement is unable to be issued. Officers will be writing to the individuals concerned to advise that their Employer did not submit year end information and therefore a statement could not be issued. This has been recorded on the breaches log as an immaterial breach.
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority.	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply.	95%	66.7% (44.4%)	Close liaison between the Pension Service and the large payroll providers has resulted in progress in this area. Currently one large payroll provider is not meeting the requirements and this has been escalated to the Employers Team who is managing this process.

